

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6118

BILL NUMBER: SB 84

NOTE PREPARED: Nov 8, 2004

BILL AMENDED:

SUBJECT: Volunteer Firefighter Income Tax Deduction.

FIRST AUTHOR: Sen. Craycraft

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides an Adjusted Gross Income Tax deduction of \$2,000 to active volunteer firefighters.

Effective Date: January 1, 2005 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who are active volunteer firefighters in Indiana. The revenue loss due to this bill could potentially total \$1.16 M to \$1.5 M annually beginning in FY 2006.

Background: The bill creates an AGI Tax deduction for individual taxpayers who are active volunteer firefighters in Indiana for at least 6 months during the taxable year. The deduction is equal to \$2,000 each taxable year and would reduce the annual income tax liability of an active volunteer firefighter by \$68. It is estimated that there are between 17,000 and 22,000 active volunteer firefighters in Indiana. (As of April 2003, membership in the Indiana Volunteer Firefighters Association totaled 17,688.) Thus, the deduction could lead to an annual revenue loss ranging from \$1.16 M to \$1.5 M, provided the deduction is claimed by each active volunteer firefighter. Since the deduction is effective beginning in tax year 2005, the fiscal impact would begin in FY 2006. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Because the proposed deduction would serve to decrease taxable income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) may, as a result, experience an indeterminable decrease in revenue from these taxes.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with a local option income tax.

Information Sources: Jack Kerney, Vice-President, Indiana Volunteer Firefighters Association, (877) 606-4832. Indiana Volunteer Firefighters Association, <http://www.ivfa.org/>.

Fiscal Analyst: Jim Landers, 317-232-9869.